

MILLENNIUM GROWTH STRATEGIES

for Health Care

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Annual Medical Costs for Sleep Disorders Estimated at \$16 Billion

At least 40 million Americans suffer from chronic, long-term sleep disorders, with an additional 20 million suffering from occasional problems. The most common sleep disorders include insomnia, sleep apnea, restless legs syndrome, and narcolepsy.

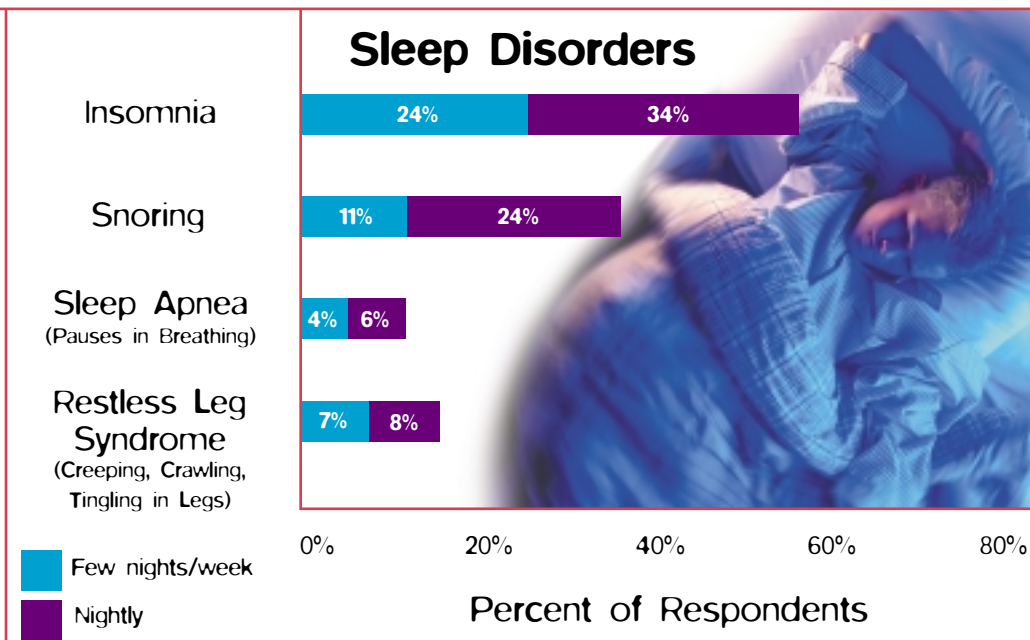
The estimated annual medical costs resulting from sleep disorders total \$16 billion (for physician office visits, testing, hospitalization, etc.), with estimates reaching \$150 billion when indirect costs attributable to absenteeism, workplace accidents, and other lost productivity factors are considered.

Growth and Revenue Opportunities: Sleep Disorders Centers

Noticeable growth in demand for treating sleep disorders has prompted development of hospital-based and freestanding sleep centers and sleep labs, with a recent estimate citing 5,000 programs in operation. As the field grows, successful sleep disorder centers will be those that are able to differentiate themselves by means of accreditation status, physician commitment, hospital commitment, and staff certification.

Sleep disorders centers should seek accreditation by the American Academy of Sleep Medicine (AASM) as early as possible. The AASM has accredited nearly 550 programs, of which 80 percent are operated by a hospital or academic medical center. A sleep disorders center, as defined by AASM, is a medical facility providing clinical diagnostic services and treatment for patients who present with symptoms or features that suggest the presence of any sleep disorder.

AASM guidelines for staff, treatments, facilities, and equipment are fairly stringent. Following AASM guidelines allows a center to attract high-quality physicians and staff and receive appropriate reimbursements. Some insurers will not reimburse a



Adapted from the National Sleep Foundation's 2000 Omnibus Sleep in America Poll.

sleep center that has not been accredited by AASM.

The AASM requires an accredited center to have a board-certified sleep specialist on staff. Gaining physician commitment often involves offering medical directorship or exclusivity rights. Due to the multidisciplinary nature of sleep disorders diagnoses, the medical director may specialize in neurology, pulmonology, psychology, or cardiology.

Hospital commitment to a sleep disorders center is equally essential.

Equipment costs alone can reach \$250,000 for two beds. Facility renovations and improvements may also be required.

Successful sleep disorders centers employ certified sleep technologists, although since the current supply of certified technologists is insufficient to meet the demand, these specialized staff may prove difficult to recruit. Accreditation by AASM helps to maintain high standards of clinical excellence, which, in turn, assists in attracting the

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technical expertise necessary to staff a center.

A two-hospital system in the northeastern United States has operated two sleep labs (one at each hospital) since 1988. Four beds are staffed on each campus. On an annual basis, this system reports a contribution margin of \$500,000. A three-hospital system in the southeastern United States has operated its sleep lab for 11 years. One sleep lab with four beds supports the three hospitals. The system estimates its contribution margin at approximately \$1 million annually. In addition to contribution margin directly attributable to a center, spin-off volumes for pulmonary function testing, complementary medicine, surgical procedures, pharmaceuticals, and medical equipment may also provide a revenue stream.

With so many American adults experiencing chronic sleep problems, developing a sleep disorders center enables a health care organization to provide a needed clinical service that is potentially very profitable.



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